

**STATE OF VERMONT
GREEN MOUNTAIN CARE BOARD**

In re: Application of Northwestern) GMCB-024-14con
Medical Center, Construction of)
Medical Office Building)
_____)

CERTIFICATE OF NEED

In accordance with Title 18, Chapter 221, Subchapter 5, other applicable laws and the Statement of Decision and Order in this matter, the Green Mountain Care Board issues this certificate of need to Northwestern Medical Center (NMC, or Applicant), subject to the requirements and conditions set forth below.

Project Description and Scope

Northwestern Medical Center seeks to construct a two-story 43,572 sq. ft. medical office building (MOB) which will be attached to the existing hospital. The building includes 21,367 sq. ft. on Floor 1; 20,785 sq. ft. on Floor 2; 1,020 sq. ft. for the connector to the hospital; and 400 sq. ft. for a loading dock. The Floor 1 space will house NMC's existing primary care, urgent care, orthopedics, x-ray, interventional pain and phlebotomy services including 32 universal exam rooms, three cast rooms, three diagnostic imaging rooms, two procedure rooms, screening rooms for occupational health, a phlebotomy suite, consultation rooms, offices, clinical support, a staff lounge and conference spaces. Currently, these services are housed on NMC's campus in the Cobblestone building, the Doctor's Office Common building, and within the existing hospital. Application at 4. NMC plans to shell the space on Floor 2 for future uses. Application at 4, 11, 12; Responses (7/31/15) at 1; Responses (9/23/15) at 9.

The total estimated cost of the Project is \$12,595,250 and will be financed with a \$3,689,618 loan and \$8,905,632 equity contribution. Financial Table 2.

The Project is outlined in greater detail in the Statement of Decision in this docket, issued today by the Board.

Project Conditions

The Project as proposed, subject to the conditions below, meets the statutory criteria set forth in Section 9437 of Title 18; therefore, a certificate of need shall issue subject to all requirements and conditions outlined in the Statement of Decision and Order in this docket, and as stated below:

- A. The applicant shall not commence any construction activity, including but not limited to project site preparation and the purchase and acquisition of construction materials, until it has demonstrated to the Board compliance with each of the following conditions:

1. The Applicant shall provide the Board with an updated construction cost estimate for the MOB based on construction documents, rather than on schematic design. The updated construction cost shall not exceed the estimated construction cost reflected in the April 9, 2015 application of \$7,603,329 for new construction, \$928,209 for site work, \$802,700 for design/bidding contingency, \$397,003 for construction contingency, \$245,536 Construction Manager Fee, for a total construction cost of \$9,976,777.
2. NMC must comply with all requirements contained in its Hospital Budget Order for Fiscal Year (FY) 2016 and any subsequent orders or instructions regarding its FY 2016 budget.
3. In its FY 2017 hospital budget submission, NMC must meet all growth caps, targets or other conditions or guidance imposed by the Board.
4. During the project implementation period, as set forth in Condition B.2, below, NMC may not fund any expenses related to project costs (including project cost overruns) from increases in the rates NMC charges to commercial payers.
5. Prior to beginning fit-up activities for any potential use(s) of Floor 2 of the MOB, NMC must obtain Board approval of its fit-up costs and use(s). In light of findings in NMC's 2012 Community Health Assessment for Franklin & Grand Isle Counties, the Board expects that a significant portion of Floor 2 will be used to provide mental health and/or substance abuse services. If NMC does not include a significant portion of Floor 2 for mental health and/or substance abuse services, then it must justify the proposed use or uses and explain how the community need for mental health and substance abuse services is being addressed through other means.

B. In addition to conditions A1 – A5, the Applicant must comply with the following conditions:

1. The Applicant shall develop and operate the Project in strict compliance with its scope as described in the application, in other materials in the record submitted by the Applicant, and in strict conformance to the Statement of Decision and Order and conditions outlined in this certificate of need. This certificate of need is limited to the Project and activities described therein.
2. The Project as described in the application shall be fully implemented within four (4) years of the date of this certificate of need, or the certificate of need shall become invalid and deemed revoked.
3. Noncompliance with any provision of this certificate of need or with applicable ordinances, rules, laws and regulations constitutes a violation of this certificate of need and may be cause for enforcement action pursuant to 18 V.S.A. §§ 9445, 9374(i) and any other applicable law.

4. This certificate of need is not transferable or assignable and is issued only for the premises and entity named in the application.
5. If the Applicant contemplates or becomes aware of a potential or actual nonmaterial change, as defined in 18 V.S.A. § 9432(12), or a material change as defined in 18 V.S.A. § 9432(11), to the scope or cost of the Project as approved by the Board, the Applicant shall file a notice of such change immediately with the Board. The Board shall review the proposed change and advise the Applicant whether the proposed change is subject to review.
6. The Applicant shall file implementation reports with the Board at six-month intervals after the date of this certificate of need through the date all components and phases of the Project are complete, fully operational and all invoices have been paid. The implementation reports shall include the following information and analysis:
 - a. Overview of the Project, including information and analysis demonstrating that the Project is in conformance with its scope as described in the application. Such reports must identify any changes to the Project's financing.
 - b. A separate spreadsheet showing expenditures by individual line item. The spreadsheet shall show the amount as approved by the Board, the amount spent during the six-month reporting period, the amount spent to date, and the amount remaining in both dollars and in percentages.
 - c. Notice of any material or nonmaterial change, or verification that no material or nonmaterial changes are contemplated or have occurred.
7. The Board may, after notice and an opportunity to be heard, make such further orders as are necessary or desirable to accomplish the purposes of this certificate of need, and to ensure compliance with the terms and conditions of this certificate of need.
8. All reports, notices, forms, information or submissions of any kind required to be submitted to the Board as a condition of this certificate of need shall be signed by the Applicant's chief executive officer and verified by the chief executive officer, or by his or her designated representative.
9. The conditions and requirements contained in this certificate of need shall remain in effect for the duration of the reporting period defined in paragraph B.2, above.

SO ORDERED.

Dated: December 4, 2015 at Montpelier, Vermont.

<u>s/ Alfred Gobeille</u>)	
<u>s/ Cornelius Hogan</u>)	GREEN MOUNTAIN
<u>s/ Jessica Holmes</u>)	CARE BOARD
<u>s/ Betty Rambur</u>)	OF VERMONT
<u>s/ Allan Ramsay</u>)	

Filed: December 4, 2015

Attest: s/ Janet Richard
Green Mountain Care Board
Administrative Services Coordinator